

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

May 22, 2012

VALASSIS NSA

Docket No. MC2012-14

FORMAL COMMENTS FROM TRIBUNE COMPANY

Docket No. R2012-8

TRIBUNE COMPANY is one of the country's leading multimedia companies, operating businesses in publishing, interactive and broadcasting. In publishing, Tribune's leading daily newspapers include the *Los Angeles Times*, *Chicago Tribune*, *The Baltimore Sun*, *Sun Sentinel* (South Florida), *Orlando Sentinel*, *Hartford Courant*, *The Morning Call* and *Daily Press*. Newspapers play a critical role in our society—keeping citizens informed, holding our elected officials accountable, and preserving democracy. Our founding fathers recognized the importance of newspapers when they crafted the first amendment, forever protecting the freedom of the press. The depth of coverage provided by local newspapers simply cannot be replicated by any other media: print, broadcast or online.

In order to deliver on their more altruistic responsibilities, however, newspapers must remain commercially viable. Advertising revenues are the most significant portion of the newspaper business model, and these revenues have been declining for many years. Newspaper companies have been forced to respond to this situation with significant expense reductions. Some of these reductions have impacted newspapers' depth of coverage, some have impacted USPS revenues, and all were difficult.

The Valassis NSA specifically targets newspaper industry's Free Standing Insert (FSI) advertising business. This advertising category is very significant for all newspapers, and has been the most stable, declining at a slower rate than other advertising categories.

Even the USPS recognizes the negative impact the Valassis NSA will have on the newspaper industry, estimating it at \$107 million. We believe this amount to be grossly understated for the following reasons:

- At risk revenues for Tribune newspapers alone are \$170 million. The significant postage discounts offered in the NSA will either result in lost business, or advertiser rate reductions so severe as to render the category virtually unprofitable.
- Newspapers will be forced to implement severe expense reductions, including moving most remaining mail delivery to private carriers in order to keep the FSI advertising category viable. These actions alone are likely to offset any postage revenue gains the USPS hopes to realize as a result of the NSA.

- Other expense actions will certainly impact editorial coverage, to the detriment of local communities across the U.S.

Beside unfairly targeting and damaging the newspaper industry, the NSA is detrimental for other reasons, as well:

- The NSA only allows discounts for saturation mailers. Most newspaper total market coverage (TMC) programs use high-density mail. This similarly situated mail activity should be offered the same discounts as USPS work is essentially the same for both.
- The NSA only allows discounts from national advertisers in certain categories. Again, newspaper TMC programs offer similar services to many of the same advertisers, both national and local. Limiting the discounts to advertising from national advertisers only, is another way the NSA is written to unfairly target the newspaper FSI business, without allowing other mailers who are similarly situated to participate in postal service offerings in a level playing field.
- Newspapers may have reduced the amount of mail they've generated in the last few years, as have most other industries. Targeting one industry is an unfair response to a global postal issue. Newspapers are still important postal customers. Tribune Company alone paid more than \$ 100 million in postage in 2011.

The Valassis NSA is a bad idea, for the postal service, for the newspaper industry, and for America. We respectfully request the Postal Regulatory Commission to reject the proposed Valassis NSA.

Respectfully submitted,

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